

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7153

BILL NUMBER: HB 1323

NOTE PREPARED: Jan 14, 2004

BILL AMENDED:

SUBJECT: Vending machines.

FIRST AUTHOR: Rep. Hasler

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill requires certain information to be placed on the identification device that must be displayed on the face of a vending machine. It provides that if an owner intentionally fails to display an identification device on a vending machine, the Department of State Revenue may: (1) confiscate the vending machine; and (2) impose a civil penalty on the owner of at least \$1,000 and not more than \$2,000. The bill provides that food that would not otherwise be subject to Sales Tax is not subject to Sales Tax if sold through a vending machine. The bill requires vending machine operators and owners to register with the Department.

Effective Date: Upon passage; July 1, 2004.

Explanation of State Expenditures: *Department of State Revenue:* This bill requires vending machine operators to submit form prescribed by the Department indicating the name and address of the operator, the number of vending machines owned and operated by the operator, and the name of the retail merchant who is liable for the Sales Tax on items sold through the machine. The Department should be able to absorb any costs related to this reporting requirement.

Explanation of State Revenues: *Sales Tax Exemption:* This proposal will make food products sold through vending machines subject to the same Sales Tax exemptions that apply to items sold through other means. (Under current law, all items sold through vending machines are taxable, including food items that would be tax exempt if sold in a store.)

The exemptions created by this bill are estimated to reduce Sales Tax revenue by \$3.0 M in FY 2004 and \$3.5 M in FY 2005. Because of the timing of remittance and posting of Sales Tax revenue, the estimated

impact for FY 2005 includes collections from 11 of the 12 months the proposal is in effect during FY 2003.

This analysis assumed that vending machine sales of juice, bakery items, nuts, fruit, dairy products, and bottled water would become exempt from the Sales Tax. Sales of candy, gum, soft drinks, hot beverages, and prepared take-out products, such as slices of pie and sandwiches, were assumed to remain taxable.

The share of food items affected by this proposal was estimated using national sales data from two vending industry publications: Automatic Merchandiser and Vending Times. Information from these sources was then calculated against the estimated Sales Tax remittances of vending machine operators Indiana. The sales data were also adjusted at a yearly growth rate of 4.9%.

Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the State General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Loan Fund (0.033%).

Penalty Provision: Vending machine operators who intentionally fail to display the information required by the bill on vending machines are subject to civil penalty of between \$1,000 and \$2,000. Revenue from this penalty would be deposited in the state General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Vending Times, "Census of the Industry, 1998"; Automatic Merchandiser, "2000 State of the Vending Industry Report"; U.S. Census Bureau; Department of State Revenue.

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